GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1061
ANSWERED ON:24.11.2000
SAFEGUARDING THE INTERESTS OF SHAREHOLDERS
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Will the Minister of FINANCE be pleased to state:

(a) whether Department of Company Affairs (DCA)has given any right to SEBI to take actionagainst the companies which have indulged in not sending the shares to shareholders and non-payment of Dividend;

(b) if so, the details thereof; and

(c) the efforts being made to safeguard the interests of shareholders?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (BALASAHEB VIKHE PATIL)

(a) & (b): SEBI has intimated that Department ofCompany Affairs has authorised certain officials of SEBI to launch prosecution in terms of Section 621 of Companies Act, 1956 in cases of, interalia, non-delivery of share certificates within the time stipulated under Section 113 of the said Act and also in case of non-payment of dividend within 42 days of declaration thereof.

(c) SEBI has intimated that the following are among the measures that have been taken to safeguard the interests of shareholders:-

(i) With a view to keep shareholders informed regarding utilisation of funds, stock exchanges have amended Clauses 32 and 43 of the listing agreement whereby: (a) listed companies are required to file with the stock exchange concerned cash flow statements along with balance sheet and profit and loss accounts every year,

(b) listed companies are required to furnish on a yearly basis, a statement to the stock exchange showing the variations between projected utilisation of funds and/or actual profitability. Such statements should be published in newspapers simultaneously with the unaudited/audited financial results. If there are material variations between the actuals and projections, the Company shall furnish an explanation in the advertisement. This comparison is also to be provided in the Directors` Report.

(ii) As regards buyback of securities, a public announcement containing all material information has to be made by the company before the buyback of shares. The Buyback Regulationsprovide for extensive disclosures such as whether the promoters intend to offer their shares, price of buyback, pre and post holding of buyback etc. in the letter of offer and the notice for the General Meeting.

(iii) To ensure transparency in preferential allotments, SEBI has stipulated variousdisclosures such as the object of the issue through preferential offer, intention of promoters/directors/key management persons to subscribe to the offer, shareholding pattern before and after the offer, proposed time for completion of the allotment and identity of the proposed allotee etc., in the explanatory to the notice for the general meeting in terms of Section 173 of the Companies Act, 1956.

(iv) Under SEBI (Substantial Acquisition of Sharesand Takeover) Regulations, 1997, a mandatory offer is to be made to acquire a minimum of 20% shares from the shareholders in case of acquisition of 15% or more shares on voting rights or creeping acquisition of more than 5% by an acquirer holding between 15% and 75% or acquisition of control in the target company. Offer price is to be determined based on parameters such as market price, returns on networth etc. Highest acquisition price is to be paid to all shareholders.

(v) In the secondary market steps have been taken to protect and safeguard the interests of investors by promoting greater transparency in stock exchanges, speeding up transactions and improving safety in secondary market transactions.